

Contract No. \_\_\_\_\_

- (g) Producer agrees to execute and deliver to Hormel Foods from time to time, as requested by Hormel Foods in its discretion, such security agreements, financing statements under the Uniform Commercial Code and other instruments as may be necessary or appropriate to grant Hormel Foods a security interest in tangible assets of Producer. The fair market value of such tangible assets shall be sufficient to secure Producer's obligations under this Agreement and shall be at least equal to Hormel Foods' projected negative cash position with Producer. Such security interest shall be on written terms reasonably satisfactory to Hormel Foods.

5. OPTION TO EXTEND CONTRACT.

- (a) If Hormel Foods is in a negative cash position with Producer, as defined in paragraph 2.(d)(4), at the end of the initial term of this Agreement, Hormel Foods shall have the right to elect to extend the Agreement until such time as Hormel Foods has recouped its losses. In the event this Agreement is so extended, once Hormel Foods has recouped its losses it will give Producer written notice of termination of this Agreement. Producer shall be permitted to cancel Hormel Foods' option to extend the Agreement at any time after the completion of the initial term by making a cash payment to Hormel Foods sufficient to eliminate the negative cash position.
- (b) The provisions in paragraph 5.(a) are subject to the following restrictions:
- (1) Any extension to the Agreement shall be governed by the terms of the basic Long-Term Hog Procurement Agreement being offered by Hormel Foods at the time of the extension or, if there is no such agreement being offered by Hormel Foods at that time, by the terms of the basic Long-Term Hog Procurement Agreement most recently offered by Hormel Foods at the time of the extension; and
  - (2) Hormel Foods reserves the right to terminate the Long-Term Procurement program in its entirety at any time after the initial contract term has ended, and upon such a termination any extension previously made under paragraph 5.(a) shall likewise be terminated, and the parties shall be released from any further obligation to participate in the program.

6. DEFAULT. If Producer defaults in its obligation to deliver hogs in the quantity and of the quality required hereunder, or if Producer otherwise breaches this Agreement in any way, Producer shall indemnify and hold Hormel Foods harmless against any losses, claims or lawsuits caused by said default or breach. Hormel Foods shall be entitled to offset any losses under this provision against any amounts due and owing to Producer until such unpaid costs have been satisfied.

7. NO SECURITY INTERESTS OR LIENS IN HOGS. Producer hereby represents to Hormel Foods that all hogs delivered under this Agreement are free and clear of all security interests and liens of any kind whatsoever, except as specifically provided in a written notice given to Hormel Foods at least thirty (30) days prior to delivery. In the event hogs delivered under this Agreement are subject to any security interest or lien, Hormel Foods may make payments jointly to Producer and the secured party or lien holder.